

HOT TOPICS

2005

Volume 7, No. 3

CURRENT ISSUES FOR ARMY LEADERS

RCI

The Army's Residential Communities Initiative



**Providing Quality Family Housing
Through Privatization**

***RCI Program Processes,
Progress and the Future***

Project/Partner Successes

NO other quality-of-life program will affect more Soldiers and their families than the privatization of Army family housing.

The Army's housing privatization program, Residential Communities Initiative or RCI, has applied the management skills, innovation and best practices of American business to provide quality family housing and residential communities for our Soldiers and their families, who deserve the same quality of life as is afforded the society they are pledged to defend. RCI helps provide that quality of life and at the same time offers a way for the Army to get out of non-warfighting functions.

RCI incorporates the goals established by the president and secretary of defense to employ the private sector to accomplish Defense Department non-core requirements. We have experienced tremendous success thus far, and we plan to explore other appropriate privatization opportunities.

The Army's RCI program allows us to leverage appropriated funds and the value of the Army's housing assets to obtain private - sector capital and expertise for the management, renovation, construction, maintenance and operation of military family housing. RCI offers a way for the Army to employ the management expertise, financial resources, innovation and experience of nationally recognized real - estate development, property management and finance firms.

Through implementation of the RCI Program, the Army will improve housing more quickly and at a lower life-cycle cost than through the use of traditional military construction and, more importantly, will ensure the long-term sustainment of adequate on-post family housing and communities.

Adequate housing is an important quality-of-life issue and, as such, has a direct bearing on the readiness of our Army to fight the nation's wars – now and in the future. Knowing their families are in a safe and secure environment allows our Soldiers to better focus on their missions. Military families need more than just "quarters"; they need a place to call "home" in a residential community that is safe, modern, convenient, affordable and attractive. RCI provides that "home"!

Bill Armbruster

Deputy Assistant Secretary of the Army for Privatization and Partnerships



Hot Topics – Current Issues for Army Leaders is a U.S. Army publication produced by the Office of the Chief of Public Affairs. Our purpose is to guide and inform Army leaders and trainers in discussing current or controversial topics. A contract printer distributes **Hot Topics** as an insert to **Soldiers** magazine. **Hot Topics** is in the public domain (except for "by permission" and copyright items) and may be reproduced locally without obtaining further permission.

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Printing and Distribution	GATEWAY PRESS INC., Louisville, Ky.
Special thanks to:	Don Spigelmyer, RCI Program Executive Director, OASA (I&E); Ivan Bolden, RCI Office, Policy, OASA (I&E); Dean Stefanides, RCI Office, Policy, OASA (I&E) and the Army's RCI Development Partners

Soldiers PRODUCTION STAFF

Supplement to the
August 2005 issue of **Soldiers** Magazine



Providing Quality Family Housing Through Privatization

“...nothing can be more important than a Soldier and family. I will put a lot of focus on their well-being throughout my tenure... RCI is closing the gap on inadequate housing... They deserve it. They should live just like the rest of America lives, because they’re defending our country...I’m committed to doing that — that’s where the rubber meets the road in terms of that priority.”

— Dr. Francis J. Harvey, secretary of the Army

THE Army’s family housing inventory is less than adequate for our 21st-century Soldiers and families. Housing is outdated and does not provide the amenities that are now considered the norm, such as adequate space, multiple bathrooms, adequate storage space and garages.

In many housing neighborhoods, the infrastructure (heating, electrical, water and sewage systems) relies on inefficient technology and obsolete equipment. Despite the large number of deteriorating family housing units on our installations, Soldiers and their families often choose to live on-post because of better security, a more stable environment, shorter commuting distances, proximity to family support services and facilities, familiarity and camaraderie.

In 1996 the unfunded backlog of work for family housing was \$7 billion. Accordingly, the Army

developed a strategy that incorporates a combination of (1) Basic Allowance for Housing (BAH) increases, (2) traditional military construction increases, and (3) implementation of the Residential Communities Initiative or RCI family housing privatization program. Our goal is to implement and fund plans to eliminate inadequate Army family housing and the deficit.

The RCI program is the cornerstone of this strategy, and it provides an opportunity to provide long-term, quality, sustainable housing and communities in support of the Army’s flagship installations — installations where Soldiers train, mobilize and deploy, reach back for support, and where many Army families live. This issue of **Hot Topics** outlines and defines the RCI program and plan, and the scope of work to be accomplished under the program.

RCI Processes What RCI Is



THE RCI program employs the authorities provided by the 1996 Military Housing Privatization Initiative, or MHPI, Act that allows the Army to leverage appropriated funds and the value of the Army's assets to obtain private sector capital and expertise for the management, renovation, construction, maintenance and operation of military family housing.

Through implementation of the RCI Program, the Army will improve housing more quickly and at a lower life-cycle cost than through the use of traditional methods, and more importantly, ensure the long-term upkeep and upgrade of adequate family housing.

Under RCI, the Army "partners" with private-sector firms to manage and operate family housing, with the private sector entity serving as the managing

member of the corporation. The business agreements associated with these privatization transactions include a ground lease of the family housing footprint; conveyance of housing units and ancillary facilities in the housing area to the developer; and development, financing and operating agreements describing the partners' responsibilities.

A typical partnership agreement will be for a 50-year period with an option to extend an additional 25 years. Residents pay basic rent and utilities — equal to their BAH. Residents who conserve energy will pocket the savings — those who waste energy will pay out of pocket.

— Don Spigelmyer, RCI Program
executive director, OASA (I&E)



RCI Processes: How Partners are Selected

RCI uses a request for qualifications, or RFQ, acquisition process that attracts quality developers who bring best practices/innovations to RCI and at the same time reduces time/costs for the Army and developers.

The process also seeks to evaluate/award on the basis that the firm selected is the most highly qualified to engage in discussions with the Army to create a mutually agreed upon business plan to meet the Army's requirement.

Community Development and Management Plan (CDMP)

Upon project award, the selected partner crafts a CDMP that sets forth the terms of the developer's long-term relationship with the Army. The CDMP has three components:

- ❶ Development (construction, renovations and demolition)
- ❷ Financial/transactional (the partner's fees and rates)
- ❸ Operations and property management (services that will be provided)

The Benefits of the CDMP process are that it:

- ❶ Allows the Army and the partner firm to work through issues together to ensure that major issues are identified and addressed before execution of the plan.
- ❷ Provides a forum for the Army to consider proposals from the partner on how to get the best deal, project development and services.
- ❸ Provides a way to confer with Congress, local communities and other organizations to ensure the needs of all parties are considered.

The CDMP process takes about seven months. During the first six months, the partner and Army craft the CDMP. The Army then staffs the CDMP and submits it to Congress. If Congress does not object, the operations start to transition. Three months later, the housing and operations are turned over to the RCI partner.



Progress and the Future

THE RCI program currently includes 45 installations and sub-installations, with almost 84,000 housing units — more than 92 percent of the Army's U.S. family housing. As of March 1, 2005, the Army will have:

- ❶ Transferred 23 installations to privatized operations with close to 54,000 homes;
- ❷ Invested \$594 million in these projects from appropriated funds and the private sector partner; and
- ❸ Provided \$7.9 billion of construction and renovations during the projects' Initial Development Periods, or IDPs.

The IDP varies from three to 10 years, the time all inadequate houses are eliminated. This is a leverage of more than 13 to one, a great success given the OSD goal of three to one.

Nine more installations (about 14,000 houses) have been awarded and will be transferred to our partners by April 2006. Five more installations (close to 8,000 homes) are in solicitation, and these will be privatized by February 2007. Eight additional installations (more than 8,000 homes) are in development.

RCI PLAN – 45 INSTALLATIONS

(combined into 35 projects)

- ❶ First 32 installations — \$594 million
- ❶ Government equity equals \$7.9 billion initial private development.
- ❶ 83,691 Army units
- ❶ 92 percent of owned U.S. inventory

23 Installations (17 projects) transferred (53,865 houses)

- ❶ Fort Carson, Colo. — Nov 1999
- ❶ Fort Hood, Texas — Oct 2001
- ❶ Fort Lewis, Wash. — Apr 2002
- ❶ Fort Meade, Md. — May 2002
- ❶ Fort Bragg, N.C. — Aug 2003
- ❶ Presidio of Monterey Naval Postgraduate School, Calif. — Oct 2003
- ❶ Fort Stewart-Hunter Army Airfield, Ga. — Nov 2003
- ❶ Fort Campbell, Ky. — Dec 2003
- ❶ Fort Belvoir, Va. — Dec 2003
- ❶ Fort Irwin-Moffett Federal Airfield Park — Mar 2004 Reserve Forces Training Area, Calif.
- ❶ Fort Hamilton, N.Y. — Jun 2004
- ❶ Walter Reed Army Med. Ctr, DC/Fort Detrick, Md. — Jul 2004
- ❶ Fort Polk, La. Sep 2004
- ❶ Fort Shafter/Schofield Barracks, Hawaii — Oct 2004
- ❶ Fort Eustis, Fort Story, Va. — Dec 2004
- ❶ Fort Leonard Wood, Mo. — Mar 2005
- ❶ Fort Sam Houston, Texas — Mar 2005

9 Installations (6 Projects) Awarded (13,821) — Estimated transfer

- ❶ Fort Drum, N.Y. — May 2005
- ❶ Carlisle Barracks, Pa. — May 2005 — Fort Monmouth/Picatinny Arsenal, N.J.
- ❶ Fort Bliss, Texas — Jul 2005 — White Sands Missile Range, N.M.
- ❶ Fort Benning, Ga. — Jan 2006
- ❶ Fort Leavenworth, Kan. — Apr 2006
- ❶ Fort Rucker, Ala. — Apr 2006

5 Installations (5 Projects) In Solicitation (7,588) — Estimated transfer

- ❶ Fort Riley, Kan. — Jul 2006
- ❶ Fort Gordon, Ga. — Jul 2006
- ❶ Redstone Arsenal, Ala. — Oct 2006
- ❶ Fort McPherson, Ga. — Nov 2006
- ❶ Fort Knox, Ky. — Feb 2007

8 Installations (7 Projects) Under Development — Estimated transfer (8,417)

- ❶ West Point, N.Y. — Mar 2008
- ❶ Aberdeen Proving Ground, Md. — Jun 2008
- ❶ Fort Jackson, S.C. — Sep 2008
- ❶ Fort Huachuca-Yuma Proving Ground, Ariz. — Feb 2009
- ❶ Fort Lee, Va. - Jun 2009
- ❶ Selfridge Air National Guard Base, Mich. — Sep 2009
- ❶ Fort Richardson, Alaska — Mar 2010





RCI Processes

How Soldier and Army Interests Are Protected

THE Army has implemented an RCI Portfolio and Asset Management, or PAM, process to monitor performance throughout the life of each family housing privatization project. The PAM process:

- ❶ Provides tools and methods to monitor the private company's compliance with the development and management plan.
- ❷ Monitors the financial health and stability of the project to recognize trends and mitigate risks, as well as identify opportunities for project enhancements.
- ❸ Includes annual resident surveys to provide Soldiers and families an opportunity to provide feedback on the quality of housing and services.

The Army and the developer use the surveys as a guide for quality improvements, and to identify opportunities to respond to the needs of families.

Bottom Lines:

- ❶ RCI is a business, not business as usual.
- ❷ The chain of command is between the RCI partner and garrison commander.
- ❸ Housing will be built to community standards and the housing will be Energy Star® efficient; homes that are compliant with the Environmental Protection Agency's, energy efficient rating system.
- ❹ Amenities will be those found in quality, off-post communities.

Project/Partner Successes

Picerne Military Housing



Fort Bragg

ON Aug. 1, 2003, Picerne Military Housing assumed responsibility for 4,746 homes at Fort Bragg, N.C. Picerne has been very proactive in providing top-notch customer service as construction and renovation activities get underway, according to Sandy Clark, RCI program manager. Not only is Picerne striving to provide the best customer service for current residents, but it is also building new homes with new amenities for the future.



Fort Polk

Picerne assumed operations of 3,466 homes at Fort Polk, La., on Sept. 1, 2004. On day one, Picerne encountered a backlog of 5,000 work orders. These repairs were completed within the first 30 days and, to date, the backlog rarely exceeds 150. Construction crews have also been busy creating new playgrounds. These are part of Picerne's two-year Immediate Impact Program to bring community-wide improvements to all neighborhoods. The majority of the new housing development will happen between 2005, and 2015, when 1,123 new three – and four – plus bedroom homes are built and 2,698 more are renovated.



Fort Meade

On May 1, 2002, Picerne assumed operations of about 2,500 homes at Fort Meade, Md. This project is one of the largest home developments in Maryland, with 3,170 homes to be built and/or renovated. Picerne began construction of new homes in January of 2003 and so far has delivered 322. Also, each neighborhood will have a neighborhood center with a swimming pool, lounge area, meeting room, fitness center, kitchen facility, business center, tot-lot, picnic areas, maintenance facility and more. Picerne is on a renovation schedule averaging 15 to 20 homes per week to provide better quality living conditions. Picerne's landscaping initiative includes updating play areas and equipment for the children, as well as beautifying Fort Meade with flowers and greenery.



Project/Partner Successes

Actus Lend Lease



ACTUS became one of the Army's first successful RCI partners when Fort Hood, Texas, was awarded in 2000. Four years later, Actus has grown to serve all military services at seven installations with more than 27,000 homes. Actus proudly serves five of the Army's active-duty combat divisions at Fort Hood; Fort Campbell, Ky; Fort Drum, N.Y.; and Hawaii.

Fort Hood

Home to the U.S. III Corps, 1st Cavalry Division, the 4th Infantry Div., and some 43,000 Soldiers, Fort Hood has benefited from a quickly changing landscape under RCI. Housing is nearing completion, with the last 96 of 974 new homes under construction. With one community center open and a second under construction, families are realizing the benefits of privatization, according to MichelleLyn Canelles, RCI program manager. Renovations and revitalizations continue and work planned will be completed ahead of schedule.



Fort Campbell

Serving the Soldiers and families of the 101st Div. and special forces units, Fort Campbell RCI is a vital part of the transformation of the Army at this mid-America installation. Nearly 400 homes and the first of four community centers are under construction, and major renovations to 1960s-era homes are underway.



Fort Drum

The "North Country" Soldiers and families of the 10th Mountain Div. will see huge changes taking place at Fort Drum, N.Y. as new homes begin construction. A four-year plan will build more than 700 homes and undertake the renovation of existing homes. Four new community centers will be the hub for resident life and activities and community-based management and maintenance programs.



Hawaii

Actus began operations in Hawaii in October 2004, implementing the community-based property management and maintenance services that serve residents so well, according to Joyce Van Sky, RCI program manager. The RCI project is expected to leap forward with more than 5,000 new homes scheduled for construction during the next eight years. Hawaii RCI will be the largest residential privatization project in the Army and DOD.



Project/Partner Successes

Equity Residential (EQR)



Fort Lewis

FORT Lewis, Wash., was one of four RCI pilot projects. And as such, it had lower construction standards. This caused a problem — how to build bigger and better homes without sacrificing family housing amenities. EQR found the solution — conversion of conventional construction to a modular or factory-built product. There are numerous benefits to using a modular product, according to Tony Tramp, RCI program manager. These benefits include:

- ❶ Homes are built in a controlled environment — materials don't get wet.
- ❷ Mold never has an opportunity to grow.
- ❸ Floors, walls and ceilings are built on tables and jigs so they are true and straight.
- ❹ Workers benefit from working in a clean, dry and warm climate.
- ❺ Waste is almost eliminated and recycling is improved.

Homes are Energy Star® rated and inspections are at each station as the homes move down the line. Structurally, the modular homes have greater integrity than conventionally built

homes. The quality of this product is excellent, according to Ivan Bolden, RCI Office, Policy, OASA (I&E).

Homes range from 1,850 to 2,200 square feet and they have front and rear covered porches and garages. They are produced in five days, are shipped to Fort Lewis and are assembled/finished in 15 to 20 days.

The savings in construction costs, coupled with the additional income generated by the much shorter construction period, have offset the costs to incorporate the all new Army standards said Bolden. The savings allowed EQR to increase the number of four-bedroom homes. EQR will produce 458 units over the next few years.



Project/Partner Successes

Clarke Pinnacle Family Communities



CLARK Pinnacle Family Communities LLC (a partnership between Clark Realty of Bethesda, Md., and Pinnacle Realty Management Company of Seattle, Wash.), is partnering with the Army to build communities that nurture and support family life. Better services and amenities are at the heart of creating neighborhoods that look and feel more like off-post communities.

Fort Belvoir

At Fort Belvoir, Va., the development plan incorporates respect for the surrounding community's history and traditions with distinctive architecture that retains its local Virginia character. A community center and common green areas encourage families to gather and socialize in their neighborhoods.

"We have four kids, so having plenty of room for them to play and extra closets and storage space is terrific," commented Moergeli. "Our brand new house feels like a real home, not just the temporary lodging we've experienced in the past. It's much better than what we could afford in this economy."

— SGT Chase Moergeli

"This is the best military housing we've ever lived in. I still can't believe it's part of the post. Our Clark Pinnacle neighborhood in Fort Belvoir has the look and convenience of a civilian community."

— SSG Lisa Ferguson

"Clark Pinnacle takes care of our lawns in the summer and snow in the winter so we don't need to own and move a lot of home-maintenance equipment. In general, I give them very high marks for their responsiveness to resident needs."

— Heather Wilson, Fort Belvoir housing mayor

"We've always said that you enlist the soldier, but you retain the family. The new Clark Pinnacle service-enriched housing at Fort Belvoir is a solid step in the right direction."

— SMA Kenneth O. Preston

"The added resident services free our soldiers from some of the anxiety they feel about their families when they have to be away from home. They can better focus on the job at hand knowing their spouses and children are in good hands and part of a real community."

— COL T.W. Williams, Fort Belvoir garrison commander

Clark Pinnacle is currently working with the Army at the Presidio of Monterey Naval Postgraduate School, Fort Irwin/Moffett Federal Airfield/Camp Parks, and Fort Benning. Clark Pinnacle will be managing more than 9,000 homes at these sites. *Our goal is to develop military communities that offer the same services and high quality housing that civilian families enjoy. It's the least we can do for the men and women who serve our country.*

— Christopher Guidi, Clark Realty



Project/Partner Successes

GMH Military Housing



Fort Carson

GROUND BREAKING on the first of a planned 841 new units occurred at Fort Carson, Colo., in March 2000, and over the following 43 months 841 new homes were built, and all renovations are close to completion. Every existing unit received a full renovation — appliances, lighting, paint, fixtures, etc. While the successes at Fort Carson have been in many areas, they all come down to one thing: a better standard of living for Army families.



Fort Hamilton

The Fort Hamilton, N.Y., development consists of 150 three to four bedroom new garden style apartments and 35 new three and four-bedroom town homes, and renovation of two single family homes and six historic town homes. In addition, community amenities such as a walking/jogging trail and playgrounds are planned. Other planned future improvements will include:



- A new community center, internet café and social center.
- Renovation of all units at an 18 to 21 year interval
- Replacement of all new units at a 34 to 37 year interval
- Renovation of all units at the 45 to 50 year interval

Project/Partner Successes

Lincoln Military Housing



Fort Sam Houston

LINCOLN will construct, improve and maintain Fort Sam Houston, Texas, family housing for the next 50 years, and assume responsibility and control over every aspect of family housing operations on post.

The first priority will be demolition and replacement of 181 homes in the post's Harris Heights neighborhood. The next priority is to conduct major and minor renovations of 684 existing homes of which 386 are historic.

Lincoln Military Housing will incorporate such community amenities as the conversion of the existing Officer's Club to a 13,860 square-foot Resident's Center and 6,120 square feet of office space.

Renovation of the Resident's Center is scheduled to start during 2005 and be completed by August 2006.

Additionally, two village resident centers in Watkins Terrace and Harris Heights, pools at each resident center, walking and running trails, and sports courts will be built.





RCI Resident Utilities Program

What is the policy?

UNDER the RCI program, resident families will be responsible for their utility usage and consumption. This policy is DOD-wide and applies to privatized housing of all of the military services. Soldiers will generally be responsible for electricity and heating fuels used. They will not be responsible for utilities consumed in common areas or vacant houses.

What is the rationale for the policy?

Service members and their families should participate in efforts to improve their housing and conserve this nation's natural resources.

How will the program work?

A consumption baseline will be established for each home, and residents who conserve will be provided a rebate or credit for the next month's bill. Those who do not will have to pay the excess consumption costs out of pocket.

When and how will the actual billing start?

- ❶ First, the program will only be implemented

for new or fully renovated, energy-efficient homes that have been metered.

- ❷ Second, there will be a "mock billing period." The RCI developer/partner will establish an appropriate allowance of utilities for like houses. They will then conduct "mock billing" for up to one year at each installation, during which time they will provide residents information regarding their consumption and costs as compared to the allowance appropriate for their home. During "mock billing," residents will not be responsible for paying any overages or receive payments for savings.
- ❸ After "mock billing" actual billing will start. Residents who conserve at certain levels may have the opportunity to receive a payment or credit; those who do not conserve will be required to pay for their excess consumption. The utilities consumption base line will be adjusted each year and usage will also be compared to similar housing off post in the surrounding community to make any necessary adjustments or enhancements to the program.

RESOURCES



FOR more information on installations under RCI, visit or call your local housing or RCI Project office:

Transferred to Partners:

Fort Carson, Colo.	(719) 526-5224
Fort Hood, Texas	(254) 553-0472
Fort Lewis, Wash.	(253) 966-3217
Fort Meade, Md.	(301) 677-4714/4756
Fort Bragg, N.C.	(910) 396-3004
Presidio of Monterey, Calif.	(831) 242-7979
Fort Stewart, Ga.	(912) 767-1350
Hunter Army Airfield, Ga.	(912) 352-5282
Fort Campbell, Ky.	(270) 798-9260
Fort Belvoir, Va.	(703) 805-3018
Fort Irwin-Moffett FAF-Parks RFTA,	(760) 380-6573 Calif.
Fort Hamilton, N.Y.	(718) 630-4415/4487
Fort Polk, La.	(337) 531-9883
Fort Detrick, Md.	(301) 619-3417
Walter Reed AMC, Wash. D.C.	(202) 782-3119
Fort Shafter-Schofield Barracks,	(808) 438-7733 Hawaii
Forts Eustis-Story, Va.	(757) 878-5650
Fort Leonard Wood, Mo.	(573) 596-0859
Fort Sam Houston, Texas	(210) 221-0948

For more information on the overall RCI program and upcoming projects visit the web site at www.rci.army.mil, call (703) 601-2603 or write to Residential Communities Initiative, Office of the Assistant Secretary of the Army for Installations and Environment, 2511 Jefferson Davis Hwy, Arlington, VA 22202.



RESIDENTIAL COMMUNITIES INITIATIVE

Assistant Secretary of the Army (Installations and Environment)



RCI housing is the main focus of the Army's plan to eliminate inadequate housing. The plan calls for the privatization of almost all of the inventory in the United States, and results to date have exceeded expectations.

"We expect 21st-century Soldiers to live in 19th-century homes. We owe Soldiers and their families more than that."

— Ivan Bolden, RCI Office, Policy, OASA (I&E)

"RCI housing provides Soldiers of all ranks the QOL they and their families deserve. While touring an open house event at Fort Campbell, Soldiers from the 101st told me they would reenlist to live in RCI housing."

— SMA Kenneth O. Preston

BOTTOM LINE

RCI provides quality communities for Army families.